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# Billings Clinic Foundation Banquet

Max S. Baucus

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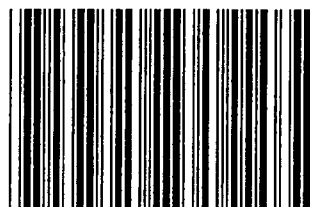
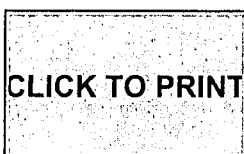
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BAUCUS

SPEECH BY MONTANA SENATOR MAX BAUCUS  
TO THE BILLINGS CLINIC FOUNDATION BANQUET  
APRIL 26, 1984

THANK YOU VERY MUCH FOR INVITING ME TO BE WITH YOU TONIGHT.

I WANT TO SPEAK BRIEFLY TONIGHT ABOUT A SORE SUBJECT.  
HEALTH CARE COSTS.

HEALTH CARE COSTS

LIKE IT OR NOT, THE COST OF GETTING SICK IS BECOMING A  
NATIONAL CRISIS. HEALTH CARE COSTS WILL BE THE NUMBER ONE  
NON-ECONOMIC DOMESTIC ISSUE DURING THE 80'S.

HEALTH CARE COSTS DIRECTLY CONTRIBUTE TO AMERICAN INDUSTRY'S  
LOSSES IN THE WORLD MARKETPLACE. U.S. STEEL, FOR EXAMPLE,  
ESTIMATES THAT THE COST OF HEALTH BENEFITS ADD AN EXTRA \$20 TO  
THE PRICE OF EACH TON OF STEEL.

AMERICAN AUTO MAKERS FIGURE THE COST OF EMPLOYEE HEALTH  
BENEFITS AT \$400 ON EACH CAR PRODUCED.

JOE CALIFANO, THE FORMER SECRETARY OF HEALTH, EDUCATION AND  
WELFARE, TOLD ME JUST YESTERDAY THAT THE HEALTH COSTS OF CHRYSLER

EMPLOYEES ARE FOUR TIMES WHAT THEY ARE FOR THEIR JAPANESE  
COUNTERPARTS.

HE SAID THE MAJOR SUPPLIER FOR THE CHRYSLER CORPORATION IS  
NOT STEEL -- AS YOU WOULD EXPECT -- BUT BLUE CROSS AND BLUE  
SHIELD.

HEALTH CARE COSTS CONTINUE TO SKYROCKET, EVEN THOUGH OVERALL  
INFLATION IS VERY LOW. AND SPENDING FOR HOSPITAL CARE IS THE  
LARGEST COMPONENT OF THAT INFLATION.

WHILE THE CONSUMER PRICE INDEX TUMBLED FROM ALMOST 13  
PERCENT TO 5 PERCENT LAST YEAR, PROGRESS AGAINST INFLATION  
STOPPED AT THE HOSPITAL DOOR. IN 1982, HOSPITAL COSTS SHOT UP  
THREE TIMES THE NATIONAL INFLATION RATE.

LIKewise, HEALTH CARE COST INFLATION IS BANKRUPTING  
MEDICARE. FEDERAL OUTLAYS FOR MEDICARE JUMPED 21.5 PERCENT IN  
1982. FEDERAL, STATE AND LOCAL GOVERNMENTS -- WHO PAY OVER 40  
PERCENT OF THE HEALTH CARE BILL -- ARE RACKING UP RECORD BUDGET  
DEFICITS TO MEET THE SOARING COSTS OF MEDICARE AND MEDICAID.

MOST EXPERTS PREDICT THAT MEDICARE SOON WILL FACE A  
FINANCIAL CRISIS FAR WORSE THAN THE ONE THAT THREATENED SOCIAL  
SECURITY.

#### CURBING HEALTH CARE COSTS

BUT MY MESSAGE TONIGHT IS NOT JUST THAT HEALTH CARE COSTS

ARE A NATIONAL CRISIS.

I AM NOT HERE TONIGHT TO BLAME THE DOCTORS AND STAFF OF THE BILLINGS CLINIC FOR THE HEALTH CARE COST INFLATION PROBLEMS WE FACE.

NO, MY MESSAGE TONIGHT IS THAT BY WORKING TOGETHER, GOVERNMENT, DOCTORS, HOSPITALS, NURSES, INSURERS AND CONSUMERS CAN SOLVE THE HEALTH CARE COST INFLATION CRISIS.

WE MUST NOT BE GUIDED BY PARTISANSHIP. WE MUST NOT BE GUIDED BY OUR NARROW SELF-INTEREST. WE MUST NOT SEEK TO BLAME OTHERS.

INSTEAD, WE MUST FIND FAIR, THOUGHTFUL AND BALANCED WAYS TO TOP THE CATACLYSMIC RISE IN HEALTH CARE COSTS.

WE MUST REMEMBER THAT OUR GOAL IS TO MAKE SURE EVERY MONTANAN -- AND EVERY AMERICAN -- HAS ACCESS TO AFFORDABLE HEALTH CARE.

### CONGRESSIONAL ACTION

CONGRESS ALREADY HAS TAKEN SOME MAJOR STEPS TOWARD CURBING HEALTH COSTS. IN 1982, CONGRESS PLACED A YEAR-TO-YEAR CAP ON THE HOSPITAL COST CEILINGS IMPOSED BY MEDICARE UNDER SECTION 223.

THE NEW PROSPECTIVE PAYMENT SYSTEM GOES MUCH FARTHER. WITH THE DRG SYSTEM, CONGRESS SAID THAT IT WANTS MEDICARE TO BE A DUDENT BUYER OF THE HEALTH SERVICES IT PURCHASES FROM HOSPITALS.

BUT EVEN MORE NEEDS TO BE DONE TO MAKE SURE THE DRG'S MEET THIS GOAL. WE NEED TO MAKE SURE THE DRG SYSTEM DOES NOT LEAD TO EXCESSIVE COST-SHIFTING.

IF SUCH COST-SHIFTING DOES OCCUR, YOU CAN BE SURE THERE WILL BE GREATER PRESSURE FOR ALL-PAYOR RATE REGULATION. THE QUESTION WILL BE: SHOULD STATES BE ENCOURAGED TO DEVELOP REGULATIONS SIMILAR TO THOSE USED BY THE FEDERAL GOVERNMENT.

THE DRG SYSTEM ENCOURAGES HIGHER HOSPITAL ADMISSIONS AND SOPHISTICATED TREATMENT. WE MUST ENSURE THAT IT DOES NOT LEAD TO OVER-UTILIZATION, UNNECESSARY ADMISSIONS AND "DRG CREEP."

PHYSICIAN PEER REVIEW CAN PLAY AN INVALUABLE ROLE HERE. I KNOW PEER REVIEW IS AN OLD TRADITION FOR GROUP PRACTICES, WHERE IT IS ONE OF THE BEST GUARANTEES OF EFFICIENTLY DELIVERED, GOOD QUALITY CARE.

PEER REVIEW IS ALSO GOOD BUSINESS FOR LARGE EMPLOYERS AND COMMERCIAL INSURERS BECAUSE IT SAVES THEM MONEY.

AND WE MUST MAKE SURE THAT DRG PAYMENTS ARE SET AT THE RIGHT LEVELS. I WANT TO MAKE SURE THAT MONTANA'S SMALL COMMUNITY HOSPITALS ARE NOT TREATED THE SAME AS BIG METROPOLITAN HOSPITALS IN NEW YORK CITY OR LOS ANGELES.

WE HAVE DIFFERENT PROBLEMS HERE. WE MUST HAVE DIFFERENT

SOLUTIONS. TOO OFTEN FEDERAL REGULATORS DON'T UNDERSTAND OUR PROBLEMS, OR EVEN CARE.

DRG CATEGORIES SHOULD BE PERIODICALLY RECALIBRATED TO PERMIT THE DEVELOPMENT AND USE OF INNOVATIVE TECHNOLOGY.

I WAS SUCCESSFUL IN CONVINCING THE SENATE TO CREATE THE PROSPECTIVE REIMBURSEMENT ASSESSMENT COMMISSION TO TAKE ON THIS JOB.

OUR EXPERIENCE IN THE NEXT YEAR OR SO WITH THE DRG SYSTEM WILL BE IMPORTANT FOR ANOTHER REASON. MANY IN CONGRESS WANT TO SEE THE DRG SYSTEM EXPANDED TO COVER PAYMENTS TO PHYSICIANS WHEN THEY PRACTICE IN HOSPITALS.

CLEARLY PHYSICIANS' COSTS MUST BE ADDRESSED. I DON'T THINK MANY PEOPLE REALIZE THAT MEDICARE PART B EXPENSES ARE INCREASING AT A FASTER RATE THAN PART A HOSPITAL EXPENSES.

THE AMA'S PROPOSED ONE-YEAR FREEZE IN PHYSICIAN FEES IS A STEP IN THE RIGHT DIRECTION. IT IS A GOOD FAITH EFFORT TO HELP SOLVE THE PROBLEM.

#### UPCOMING LEGISLATION

THE DRG SYSTEM MARKS A RADICAL CHANGE IN MEDICARE. NOTHING SO DRAMATIC WILL BE DONE THIS YEAR.

INSTEAD, CONGRESS WILL INCLUDE SEVERAL MEDICARE PROVISIONS

IN THE BUDGET DEFICIT REDUCTION PACKAGE NOW BEING WORKED ON IN  
THE SENATE.

I AM PARTICULARLY CONCERNED, HOWEVER, THAT SOME OF THE  
PROPOSED CHANGES ARE UNFAIR TO MEDICARE BENEFICIARIES. FOR THAT  
REASON NEXT WEEK I INTEND TO OFFER AN AMENDMENT ON THE SENATE  
FLOOR THAT WOULD MAKE THREE CHANGES IN THE DEFICIT REDUCTION  
PACKAGE:

O STRIKE A PROPOSED INCREASE IN THE PART B DEDUCTIBLE;

O REDUCE A PROPOSED PART B PREMIUM INCREASE IN 1987 SO THAT  
THE PREMIUM WILL ONLY INCREASE THAT YEAR BY THE RATE OF GENERAL  
INFLATION, INSTEAD OF THE HIGHER RATE OF MEDICAL COST INFLATION;  
AND

O REQUIRE THE SECRETARY OF HEALTH AND HUMAN SERVICES TO  
MONITOR PHYSICIAN FEES DURING A TWO-YEAR FREEZE TO MAKE SURE  
UNFAIR COST- SHIFTING DOES NOT OCCUR.

#### MEDICARE'S SOLVENCY

THE SAVINGS IN MEDICARE'S COSTS THAT HAVE BEEN ACHIEVED SO  
FAR ARE SMALL COMPARED TO WHAT IS NEEDED. THE CONGRESSIONAL  
BUDGET OFFICE ESTIMATES THAT THE MEDICARE TRUST FUND WILL BE \$250  
BILLION IN THE RED BY 1995.

AS THE SENIOR DEMOCRAT ON THE SENATE'S MEDICARE SUBCOMMITTEE,  
I AM PAINFULLY AWARE OF THE PROBLEM. I ASSURE YOU THAT MEDICARE  
WILL STILL EXIST 10 YEARS FROM NOW. BUT IN A MUCH DIFFERENT

PM.



CONCLUSION

THE CHALLENGE OF THE SKYROCKETING COST OF HEALTH CARE IS GREAT. THE DECISIONS WE MAKE IN THE NEXT FEW YEARS WILL HAVE FAR-REACHING EFFECTS.

THERE ARE NO EASY SOLUTIONS OR QUICK FIXES. BUT WE CAN SUCCEED.

I LOOK FORWARD TO WORKING WITH YOU AND OTHER MONTANA PHYSICIANS TO MAKE SURE THE SOLUTIONS WE DO ENACT ARE FAIR AND DON'T SINGLE OUT ANY ONE GROUP TO PAY A DISPROPORTIONATE SHARE.

THE AMA'S "HEALTH POLICY AGENDA FOR THE AMERICAN PEOPLE" PROJECT IS A GOOD BEGINNING. I HOPE YOU AND OTHER PHYSICIANS WILL CONTINUE IN THAT SPIRIT TO HELP US FIND A SOLUTION TO HEALTH CARE COSTS.

THANK YOU.